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ABSTRACT

The Federal government has become increasingly involved in the proprietary vocational school industry by way of loans and grants to students, veterans benefits, contracts for the provision of training between schools and rehabilitation and other government agencies, other financial relationships, and associated supervisory and regulatory responsibilities. This involvement, and concern over reported abuses, led to the hearings and other investigations which provided the information reported here. Background information about proprietary vocational schools and their students opens the report. A summary and conclusions section follows, outlining problems and abuses in proprietary school education and training and making recommendations. The bulk of the document provides a discussion of: the nature of proprietary education; potential problems in proprietary education, including the scope of proprietary school problems and school abuses as defined by the Federal Trade Commission; an analysis of problem areas, (including course and instructional quality, low completion ratios, advertising, refund policies, school collapses, and principal areas for concern); and safeguards against abuses, (including accreditation, State licensing, The Veterans Administration, Office of Education, The Federal Trade Commission, and other influences). Steps to be taken toward the development of a better system conclude the document. (NH)

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93d Congress, 2d Session - - - - - - - - House Report No. 93-1649

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REDUCING ABUSES IN PROPRIETARY VOCATIONAL EDUCATION

TWENTY-SEVENTH REPORT

BY THE

COMMITTEE ON GOVERNMENT OPERATIONS

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION
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DECEMBER 30, 1974.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
Washington, D.C., December 30, 1974.

Hon. W. PAT JENNINGS,
Clerk of the House of Representatives,
Washington, D.C.

DEAR MR. JENNINGS: By direction of the Committee on Government Operations, I submit herewith the committee's twenty-seventh report to the 93d Congress. The committee's report is based on a study made by its Special Studies Subcommittee.

CHET HOLIFIELD, *Chairman.*

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93D CONGRESS, 2d Session } HOUSE OF REPRESENTATIVES { REPORT No. 93-1649

REDUCING ABUSES IN PROPRIETARY VOCATIONAL EDUCATION

DECEMBER 30, 1974.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. HOLIFIELD, from the Committee on Government Operations, submitted the following

TWENTY-SEVENTH REPORT

BASED ON A STUDY BY THE SPECIAL STUDIES SUBCOMMITTEE

On December 12, 1974, the Committee on Government Operations approved and adopted a report entitled "Proprietary Vocational Schools." The chairman was directed to transmit a copy to the Speaker of the House.

INTRODUCTION

The Federal Government's increasing commitment in support of postsecondary education has led to a deepening Federal involvement in the proprietary vocational school industry. Several major departments and agencies provide loans and grants to students attending proprietary schools and millions of Federal dollars flow into these schools every year. Some $300 million in veterans benefits reaches proprietary schools annually; the Office of Education spends millions of dollars to subsidize the interest on loans to proprietary school students and reports that claims from lenders for defaults on federally insured loans exceeded $40 million in fiscal year 1973 for proprietary school students alone.

Rehabilitation agencies and the Bureau of Indian Affairs both contract directly with proprietary schools for training. A number of dependents of social security beneficiaries qualify for the educational allowance as a result of the attendance at proprietary institutions. Several agencies approve proprietary schools or make determinations of eligibility for federally-supported students. The VA funds State approval agencies; the Office of Education accepts schools for participation in student loan and grant programs and recognizes accrediting

associations. The Immigration and Naturalization Service approves schools for attendance by foreign students. These agencies exercise varying degrees of regulatory control over schools because of their funding responsibilities. The Federal Trade Commission has been active in carrying out its responsibilities under the Federal Trade Commission Act.

The Special Studies Subcommittee became interested in the proprietary vocational school industry in part because of its Government Operations jurisdiction over the Veterans' Administration and in part because of its concern about the effect of reported abuses on Government-supported students. Because of the number of departments and agencies involved, the Government-wide jurisdiction of this committee facilitated a comprehensive examination of the proprietary school industry and the Federal relationship to it. Four days of hearings were held in July of 1974 during which Federal agency representatives, school accrediting associations, and scholars in the field gave testimony. These hearings were preceded and followed by several months of staff investigative work, including visits to a number of proprietary vocational schools and participation in an accreditation visit.

The Government has great influence on proprietary education because of the sizable Federal financial input and associated supervisory and regulatory responsibilities. Almost all proprietary schools are subject to FTC regulation, and a substantial part of the industry is dependent on Government-financed students. Veterans benefits and guaranteed student loans have made it possible for several schools to grow rapidly, and led to a dependence on Government-assisted students by many others. This report explores ways that this influence could be used to improve proprietary education and make Government spending in this field more effective.

BACKGROUND

There is an increasing realization in America today that for many people, vocational training can be the best preparation for a satisfying life. Skills necessary in business, trades, and technical fields can be acquired in a number of ways. Many are learned on the job. Others are acquired through company training or union apprenticeship programs. Community colleges play an important role by providing vocational education to as high as 50 percent of their enrollees.[1]

This report is concerned with another institution that provides education and training in trades, technical fields, and business skills. That institution is the proprietary vocational school. A brief picture of the industry can be drawn by examining the schools and their students.

The Schools

Any generalization about proprietary vocational schools must be used with caution, for the schools differ greatly one from another. They range in size from one-man or one-woman operations with half a dozen students up to giant correspondence schools with enrollments of over 100,000. There is great variety in the ways they operate. In small residential facilities, every student may be known by name, while the national headquarters of a large home study school annually processes millions of pieces of mail and uses sophisticated computers to maintain student records.

The most quoted estimate of private vocational schools in the United States today is 10,000, although this figure is subject to challenge. The industry annually enrolls over 3 million students who provide an estimated yearly income of about $2.5 billion.

The training offered is as diverse as the schools themselves. Courses are offered in accounting, bartending, computer programing, gem cutting, dog grooming, electronic technology, medical assisting, and shorthand. Course length varies from a few weeks to over 2 years, and prices range from under a hundred dollars to $2,000 or $3,000. According to the FTC, the average course price in 1972 was about $800.[2]

Nearly all of the schools can be grouped by course offerings into four or five major categories. Each category has a nationally recognized accrediting organization. There are two major types of instruction—home study and residential. (Some home study courses, notably truck-driving and heavy equipment operation, require some training at a

[1] Statement of Hon. Carl Perkins (D-Ky.), chairman, House Education and Labor Committee, Congressional Record, Oct. 11, 1974, p. H15036.

[2] "Proprietary Vocational Schools," hearings before a subcommittee of the Committee on Government Operations, House of Representatives (hereinafter cited as "hearings"), (Washington, D.C., 1974), p. 14. Subsequent inflation probably has increased this figure.

residential facility.) Home study, or correspondence schools, are treated as a separate group (and eligible for accreditation by the National Home Study Council) because of their home teaching approach. Home study training is available in trades, business, and technical subjects. The residential schools are grouped into: (a) trade and technical, with the National Association of Trade and Technical Schools (NATTS) being the major accreditor; (b) business, with the accreditor being the Association of Independent Colleges and Schools (AICS); (c) barbering and cosmetology, accredited by the Cosmetology Accrediting Commission; and (d) medical assisting and similar subjects accredited by the American Medical Association, although some of these are also accredited by NATTS.

The term "proprietary vocational school industry" identifies a broad sector of the overall educational and training network in this country. "Proprietary" is used to distinguish profit-seeking schools (although not all of them make a profit)[3] from public or nonprofit schools. The schools that are the subject of this report are privately owned, but they are not all proprietary in the sense that they are owned and operated by an individual. A majority of schools are incorporated, and several of the largest schools are owned by large corporate organizations.[4]

"Vocational" is used to distinguish schools that obtain students principally by emphasizing the career opportunities open to those who complete the training. Some privately owned schools offer training that is not vocational. Proprietary schools teach dancing, karate, and sky-diving, and offer courses in art appreciation. Schools that stress employment and career advancement may occasionally attract students who are interested in the skill rather than its practical application. This latter group is believed to be relatively small; authorities cited by supporters of proprietary vocational education are clear in describing it as job-related and directed toward practical application in the world of work.[5]

All proprietary schools offer education and training with the objective of making a profit. This common objective, we believe, justifies the term "industry" even though there are undoubtedly great differences among these schools. Despite the differences, they share in common the need to attract students, generally through advertising and recruitment, and to set course prices on the basis of market attractiveness and the need to make a profit. They must also face the general problems associated with running any business—customers must be attracted, accounts collected, financial records maintained, and so forth. Some of these administrative and financial challenges, of course, are shared by nonprofit or public educational institutions. Even tax-supported schools must attract students and operate within some type of budget.

[3] Several large schools visited by the staff had lost money in the last year, and none of them reported profits as favorable as those in high-growth industries.

[4] Katz, H. H., "A State of the Art Study on the Independent Private School Industry in the State of Illinois," Illinois Advisory Council on Vocational Education, Springfield, Ill., May 1973, pp. 111–112.

[5] Hearings, pp. 203, 264. See also Belitsky, A. Harvey, "Private Vocational Schools and Their Students," Schenkman Publishing Co., Inc., Cambridge, Mass., 1969, pp. 1, 54; and Katz, note 4 supra, p. 6.

But they are not subjected to the same type of pressure as a school totally dependent on tuition receipts for its existence.[6]

The use of the term "industry" does emphasize an inescapable fact: Proprietary education has one foot in the education camp and the other in the business camp. The virtue of this position is that proprietary education must sell itself. In doing so, it is often more responsive to the current needs of its customers and of the society. When education is merchandised, it can reach people who for many reasons would not seek it out. The vice of the position is that the drive for profits, as in other industrial concerns, can take precedence over the quality of the product or its suitability for the customer.

Private vocational schools are a useful part of education in America. They provide helpful training and career opportunities for many serious vocational students. People can learn skills at night, take courses through the mail, attend residence schools of good quality and often, as a result of their own efforts, begin a new and promising career. But with increased Government spending in education and fast growing private vocational school population, the potential for abuse has been magnified and real abuses have been identified.

Recent articles in Readers Digest, the Boston Globe, and the Washington Post [7] have presented the dark side of this educational growth. It includes more student complaints, an increase in student loan defaults, worthless correspondence courses and flagrant abuse of GI bill education benefits. There are accusations of deceptive advertising, predatory recruiting practices, dishonest salesmen, unfair refund policies, high dropout rates, and improper training for a job that may not exist.

The Students

Studies of students attending residential schools show the median age of day students to be 20 years, with evening students being considerably older. The most cited reason for attending is to acquire in a short time the entry-level skill for a higher paying job or a new career

[6] A study of correspondence instruction sponsored by the American Council on Education, and the National Commission on Accreditation, and supported by the Carnegie Corp. in New York assessed the impact of profit-seeking as follows: "Perhaps private home study suppliers are right when they object that critics place too much emphasis on the question of profit. They point out that self-supporting university correspondence departments meet the same problem, often in the same manner. These departments—especially those with no-refund policies—also profit from unearned income gained through dropouts and nonstarts. In a "mixed economy" of publicly and privately owned schools, private home study schools have provided instruction for millions of students. They claim the right to be judged by their performance, not by their financial position.

However, CERP (Correspondence Education Research Project) cannot overlook the importance of the profit motive in determining such important issues as public acceptance of the correspondence method, the percentage of operating revenue that can be spent on instruction, and the attention a school can and will pay to the problems of the individual student. Profitmaking per se need not be bad, but is can create conditions which produce undesirable results." MacKenzie, Christensen and Rigby, "Correspondence Instruction in the United States," McGraw-Hill, 1968.

[7] Readers Digest, June 1974, p. 142. The Boston Globe published a series of articles and editorials during March and April 1974. The Washington Post published a series of articles by Eric Wentworth, June 23-26, 1974. The Office of Education is preparing an evaluation of the cases described in the Globe articles. See also, Arnstein, George E., "Ph.D. Anyone?" in the July 1974 issue, and "Bad Apples in Academe," in the August 1974 issue of "American Education" published by the U.S. Office of Education. Dr. Arnstein points out, "What all these blemishes demonstrate is that the academic world includes a share of charlatans, thieves, and liars. They do not demonstrate that the entire enterprise is fraught with fraud." (August issue, p. 13.)

field. The median age of correspondence school students tends to be in the late twenties, with most being individuals with families. They are usually already employed and seek training for a new occupation, to improve their position in their present field of work, or to equip themselves to operate a part-time business.

Men outnumber women in proprietary school enrollments, although women predominate in several business courses. Many students seek from proprietary schools training or education they did not receive in high school. Others have college experience and look for practical ways to obtain a new skill. The Federal Trade Commission is concerned about consumer protection in this field because they believe four susceptible groups are represented in the typical clientele of proprietary vocational schools: Servicemen and veterans; recent high school graduates and dropouts; ghetto residents; and the unemployed.[8] Scandals in proprietary education, especially those involving criminal fraud on the part of fly-by-night operators, demonstrate that appealing to a person's desire to better himself can overcome natural consumer caution in a large number of cases.

A recent study of the occupational success of vocational education students provides additional information about proprietary school students.[9] It took a random sample of 29 public and 21 residential proprietary schools, selecting students and graduates from large and fast-growing occupational programs ranging from accounting to cosmetology. In contrasting the public vocational school students with the proprietary students, the study stated:

> We found the proprietary student brought fewer resources to school with him. He was more likely a high-school dropout or graduate of a low-status general or vocational program. Also, the student who found his way into and graduated from a proprietary school was more likely from an ethnic minority group and his verbal skills lagged behind his public school counterpart at graduation.[10]

Comparing the employment of the two groups, the study found that:

> Public and proprietary graduates had about the same occupational success, after controlling for differences in their backgrounds.[11]

While finding little significant difference between the occupational success of public and proprietary students, the study painted a disturbing picture about the success of vocational training graduates in general. Based on interviews with over 2,000 graduates, it found:

> Only two out of ten graduates from both public and proprietary schools who chose professional or technical level training ever got those jobs. The rest became clerks or took low-paying, unrelated jobs.

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[8] FTC memo in subcommittee files.
[9] Wilms, Wellford W., "The effectiveness of Public and Proprietary Occupational Training," Center for Research and Development in Higher Education, University of California at Berkeley, Oct. 31, 1974.
[10] Ibid., p. 182.
[11] Ibid., p. ii.

> Almost eight out of ten public and proprietary graduates from lower-level clerical or service worker programs got those jobs but, with the exception of secretaries, barely earned the federal minimum wage.[12]

These findings lead the author to challenge the assumption that vocational education of either type can serve as a broad conduit for social mobility. He states:

> We conclude this latest evolution in postsecondary education that has recently been extended to the least-advantaged population in the system maintains class and income inequalities rather than overcomes them.[13]

We are concerned in this report with proprietary vocational education. But we recognize that the general acceptance of vocational education dictates the parameters within which proprietary education operates. The findings cited above indicate that many parts of the business community fail to give adequate credit for skills acquired through vocational education. The study necessarily was limited, and although the six occupational fields it covered are major areas of growth, they may not represent the hundreds of occupational categories in which vocational training is offered. Nonetheless, in the schools that were studied, the higher the vocational student aimed, the more harshly he was treated in the occupational market when he sought employment. Some of this was due to educational inflation, according to the study. In the field of accounting, for example, occupational acceptance is determined not so much by technical ability as by status conferred by years of schooling.

Proprietary school students generally start off with fewer advantages than those who seek vocational training in public schools. It would appear that proprietary schools, using shorter, more intensive courses, can help their students obtain roughly the same occupational success level as their public counterparts. However, assuming the survey data to be representative, this level still does not give sufficient recognition to the students' hard-earned qualifications and the perseverance necessary to attain them. In this and other respects, public and proprietary vocational education share more problems than is generally recognized.

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[12] Ibid.
[13] Ibid., p. III.

SUMMARY AND CONCLUSIONS

1. Proprietary education provides a large number of people with training that prepares them for employment in a new field or enhances their skills in their present field. However, a great many students are being enrolled in courses that they do not complete, especially in home study schools, and some students are the victims of outright fraud.

2. The need to make profits forces proprietary schools to seek out students who otherwise would not avail themselves of education or training. In recruiting students, however, a large number of schools are enrolling prospects who have a low probability of finishing the course. This practice needs to be restrained.

3. Federal funding has made it possible for many individuals to avail themselves of education and training from proprietary schools. It has also led to recruitment efforts being heavily directed toward students whose courses can be financed by the Government. This means that many schools, notably home study schools, have oriented their approach to veterans or guaranteed loan students and are excessively dependent upon this source. In these cases, the check provided by the school's ability to appeal to those who pay their own money is largely removed.

4. The present system of checks on proprietary school operations is inadequate. Even ethical schools of long standing, perhaps under competitive pressure, have sometimes used questionable advertising or recruitment tactics. Although the oversight provided by effective State licensing, accreditation, and Federal regulation has been offered as a workable control mechanism, the three parts of this system seldom work effectively together. Funding agencies have exercised too little control over where their funds go. There has been too little cooperation among Federal agencies and between Federal and State organizations concerned with proprietary school operations.

5. Critics of the proprietary school industry have served a useful purpose in highlighting the need for improvement. Too often, however, their indictment of questionable practices has been presented in such a way as to condemn the entire industry. The discovery and publication of consumer abuses should be continued, but care should be taken that unscrupulous activity by a small number of schools is not treated as though it were common to every proprietary school.

RECOMMENDATIONS

1. Agencies which expend sizable sums in support of proprietary vocational school students should make greater efforts to insure that this money is effectively spent. The Veterans' Administration should immediately increase its efforts to determine what results are being obtained from VA-funded education and training programs, including proprietary education. This information should be readily available to veterans considering uses for their own educational entitlements.

2. The Veterans' Administration should emphasize that benefits are provided only for educational, professional or vocational objectives. In benefits application forms and elsewhere, the VA should stress that benefits are not provided to fund courses for hobbies or the acquisition of television sets or tool kits by veterans who have no intention of making vocational use of the training.

3. The Veterans' Administration should develop standards for State approval agencies, which they fund, to use in approving a course for VA-supported students.

4. The Office of Education should develop eligibility regulations expeditiously, so that the Government can move rapidly against schools not providing full value to the guaranteed-loan student. The appropriate committees of the Congress should extend the authority to limit, terminate or suspend a school's participation to all federally supported education programs, either by granting OE's request for broader authority or by writing criteria into the law itself for the exercise of this authority.

5. The Office of Education should correct its past mishandling of the student loan program by developing complete and accurate information and taking action against lenders and schools that account for a disproportionately high number of defaulted loans. Particular attention should be directed to loans made by schools to their own students.

6. The Federal Interagency Committee on Education should propose an acceptable upper limit for the percentage of federally supported students in any proprietary school to reduce the present unhealthy dependence on Government-supported students.

7. Valid complaints of serious abuse received by any Government agency supporting or regulating proprietary school education should be shared with all agencies dealing with these schools. The Office of Education appears to be the most logical collection and transmittal point, with individual agencies continuing to take such action as they deem warranted. Additional efforts to share information are required on the part of the Veterans' Administration's 58 field offices, by transmitting to the central office serious allegations of abuse, and by the Federal Trade Commission. The centralized Federal collection point should also work closely with State agencies such as the Education Commission of the States and the National Association of State Agencies for Private Schools.

8. Selected portions from consumer education materials published by the Federal Trade Commission and other Federal agencies should be made available by schools to prospective students seeking Federal funding. HEW and VA regional offices should stock this material and issue it to schools enrolling federally supported students. The U.S. Government should finance the printing of this material.

9. The appropriate committees of the Congress should consider legislation forgiving student repayment of guaranteed student loans where a federally approved institution has gone bankrupt and is unable to provide a student with all the training he has paid for. The Office of Education should require periodic cash flow statements or other indicators of financial viability for schools participating in the Government student loan program.

10. The VA, the Office of Education, and the accrediting agencies in carrying out their respective roles should give particular emphasis to safeguards against enrolling students who are unlikely to benefit from the proffered training. Proprietary schools should make greater efforts to identify enrollees who will probably be unable to handle the course material. This could probably be done most effectively by careful monitoring of student progress during the early stages of the course.

11. The Government should continue to use the national accrediting associations to help settle complaints. At the same time, the Federal agencies should recognize the inherent limitations of accrediting associations and be prepared to limit, terminate, or suspend school eligibility irrespective of accreditation.

12. Schools should disclose to prospective students the completion rate for the course being considered. This rate should be based on the number of students who actually start the course.

13. Schools should also disclose to prospective students placement data on individuals who have completed the course. The schools should be permitted to use valid statistical samplings where it is impractical or unjustifiably expensive to maintain contact with every graduate.

14. To minimize the financial loss to students who mistakenly enroll in a course, a more equitable refund policy should be adopted than that now prescribed by the national accrediting associations. Such an equitable policy can include a small fee to defray the administrative cost incurred by the school in enrolling the student.

DISCUSSION

During its long history, dating back to the Massachusetts colony, proprietary education has offered training and education to those unable or unwilling to obtain them from public sources.[14] As did during this period, the industry has created unhappy customers and generated proposals for regulation and reform.[15] In recent years, as Federal payments and loans have made it possible for more people to enroll in proprietary schools, attacks on the industry have increased. Media exposés have featured former students who feel their training is worthless, and ex-salesmen who outline how they misled unsuspecting prospects. The collapse of several large schools left paid-up students, many of whom had borrowed the money, in the middle of courses with no hope of getting the rest of their training or their money back. Legislation has been introduced aimed at correcting some of these abuses, and the Federal Trade Commission has become increasingly active in this area.[16] Federal funding sources, like the Veterans' Administration and the Office of Education, have been directed by the Congress to devise and enforce stricter eligibility standards for proprietary schools. The investigation and hearing by the Special Studies Subcommittee attempted to ascertain the workings of proprietary education and recommend ways that Federal spending and regulation in this field could be made more effective.

The Nature of Proprietary Education

Most observers believe that not enough is known about proprietary education. The number of books and studies about independent private school is minuscule compared to similar writing about academic education.[17] Universities encourage and expect their faculty members to

[14] Katz, note 4 supra, p. 6, reproducing an advertisement from the Boston Gazette of Mar. 20, 1728.

[15] Ibid., p. 139.

[16] See, e.g., the restitution to students agreed to by Career Academy reported in the Wall Street Journal, Nov. 14, 1974, p. 22, col. 1. One problem with the Federal Trade Commission is that its jurisdiction does not encompass all vocational schools; thus, the protection of the consumer can vary depending on whether a school is public, not-for-profit, or profit-seeking. The FTC clearly has authority over profit-seeking schools but does not have authority over public schools. Some observers contend that the FTC could assert jurisdiction over not-for-profit schools if they are not operated under charitable or philanthropic auspices. A Colorado State law regulating proprietary schools and defining them as "any business enterprise operated for a profit or on a nonprofit basis," was construed to include not-for-profit schools by the Supreme Court by that State. See, *People, ex rel Dunbar* v. *Trinidad State Junior College*, 520 P. 2d 736 (Colorado), 1974. The Courts definition of "eleemosynary" was contingent on the wording of the State law, however. This issue is significant because a major recent scandal involving a school allegedly operating on a nonprofit basis. Hearings, pp. 6, 7.

[17] Hearings, p. 55. Current studies include: Belitsky, note 5 supra. Clark, Harold F. and Harold S. Sloan, "Classrooms on Main Street," New York, Teachers College Press, 1966. MacKenzie, note 6a supra. Mathieson, David E., "Correspondence Study: A Summary Review of the Research and Development Literature," Washington, D.C., National Home Study Council, 1971. Miller, Jay W. and William J. Hamilton, "The Independent Business School in American Education," New York, Gregg Division, McGraw Hill, 1964. Orlans, Harold N., Jean Levin, Elizabeth W. Bauer, and George E. Arnstein, "Private Accreditation and Public Eligibility," a report for the U.S. Office of Education under contract with the Brookings Institution and the National Academy of Public Administration Foundation, Washington, D.C., February 1974. Wilms, note 9 supra.

engage in a great deal of research and publication, to the point that critics contend teaching has become secondary. The contrary is true in proprietary schools. Teaching and instructing is the preeminent educational function, and there is little time or money for introspective studies. In addition, the schools reveal their proprietary nature in closely holding much information that might be useful in studies (information was made readily available, however, to members of the subcommittee staff in every school they visited).[18] Consequently, generalizations are made about proprietary education that may not have the desired amount of statistical support. The following characterizations have been made by many authorities:

1. There is bias against vocational education in the United States and when this education is offered by a profit-seeking school that bias is increased.[19] A few prestigious figures have endorsed proprietary education, but other educators adamantly oppose "tainting" education by offering it as a business. Some observers see a contradiction in opposing profit-seeking businesses offering education while condoning profit-making in other crucial services like health and legal advice. One writer wondered why a stigma should be attached to teaching accounting for profit while none seems to be attached to teaching piano playing.

2. There is a sharp distinction between residential and home study education. Residence schools more closely approximate the academic approach of public education—there is a classroom, a teacher and a scheduled series of classes. Home study is often viewed with suspicion even if courses are given by a university, although offering of college credits for students through course materials printed in the newspaper or broadcast over television may presage a change here. (Several European nations, notably Sweden, make far greater use of home study than does the United States. The acceptability of this method of education seems much higher in other Western nations.[20])

3. There is a tremendous duplication in course offerings, with dozens of schools having their own version of popular programs. Effects of this are most noticeable in home study courses, since all national schools theoretically appeal to the same audience. A study by the Carnegie Commission found problems with course quality in many of these schools. The study group was not surprised by this, since the development of individual school variations amounted to continuous reinventing of the wheel. In general, proprietary schools were found to be very jealous of their own techniques. Experience gained from trial and error is not pooled or shared to any great degree. The result is that each school develops its own courses. The commission report proposed some standardization of materials, perhaps making them available separately as textbooks. Pointing to inevitable school budget constraints, the study group questioned whether there was enough talent and money to develop dozens of first-class courses for the same subject.[21]

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[18] Major proprietary school associations urged that member schools be visited and offered full cooperation. During visits by committee staff, school proprietors opened files for inspection, made no objection to private discussion with students, and cooperated fully in answering questions. (Schools visited were all accredited.)

[19] Belitsky, note 5 supra, pp. 2, 131, 136–137, 148; Kempfer, Homer, "Private Home Study Schools in Illinois," Illinois Advisory Council on Vocational Education, Springfield, Ill., 1973, p. 1; Report on Proprietary Vocational Schools (House Republican Task Force on Education and Training, House Republican Conference, Aug. 12, 1970), reprinted in Congressional Record, Aug. 12, 1970, vol. 116, No. 139, pp. 28600–28605.

[20] Kempfer, note 19 supra, p. 60.

[21] MacKenzie, note 6 supra, pp. 175, 183, 216–217.

4. Not only are there many course offerings for the same subject but there are also remarkable price differences among offerings from accredited schools. Presumably, each accredited school offers a course that can do what it claims. Yet a course from one school may cost 40 percent more than one from a competitor. Some of this may be attributed to better materials, costs of sales commissions, use of guaranteed student loans, and so forth. Regardless of the cause, price disparities among schools appealing to a national market indicate that competition for students does not result in comparative shopping by most buyers. (Price discrepancies also exist in higher education, as exemplified by university night class offerings in the Washington, D.C., area.)

5. There are other customers for proprietary education besides individual students. One report states that there are over 10,000 private industry contracts for correspondence education offered by proprietary institutions, 8,000 of them with one school.[22] The Armed Forces have contracted with proprietary schools for both education and training and, for many years, operated one of the biggest correspondence education networks under the U.S. Armed Forces Institute. The Department of Labor has placed students in proprietary schools for job training, as has the Bureau of Indian Affairs, and Federal and State rehabilitation agencies have utilized the training capabilities of profit-seeking schools.

6. The overwhelming majority of students taking proprietary educational courses do so in hopes of improving their economic status. Some look for a job in a new occupational field while others want to improve their abilities in a field where they are already working. The school's advertising reflects this. With the exception of federally supported students attracted to courses that appeal to the hobbyist or offer useful equipment, most enrollees in proprietary vocational schools hope to make practical use of the training.

7. Proprietary education is seen by many of its supporters as providing a supplement to public education. In this view, it rounds out the total available educational offerings. One study pointed out that agriculture courses were not available from proprietary schools because public offerings were very comprehensive. Another example cited was the disappearance of trade courses such as bricklaying because unions adopted apprenticeship programs.[23]

While this concept may have some validity, it is not entirely accurate. Proprietary schools see themselves in competition with community colleges, at least in terms of course offerings, for many of the staple vocational courses (secretarial, business, etc.) can be obtained from public institutions. Some observers, however, contend that proprietary offerings complement rather than compete here because they "lead students along different paths to the same goal." [24]

8. Even where essentially similar courses are offered, proprietary education reaches students that public education does not and, in many instances, cannot reach. Sometimes proprietary education is the

[22] Kempfer, note 9 supra, p. 81.
[23] Katz, note 4 supra, p. 63.
[24] "Study Finds Job Training Compares Favorably With That Offered by Public Institutions," Manpower (published by U.S. Department of Labor), March 1973, pp. 19, 20. As pointed out in the Wilms study, note 9 supra, proprietary school students generally have backgrounds different from those of students attending public institutions, suggesting that students attracted to one type of school may not necessarily respond to the other.

only education available; geographic or time constraints make it impossible for a student to attend a public institution. Many individuals who were uncomfortable in high school shy away from the academic approach they attribute to universities and community colleges. Proprietary school advocates contend this is the reason they can sell a course to a student while a nearbly tax-supported public institution offers it at a much lower cost or even free.

9. Private vocational schooling is for many their last available opportunity for self-improvement through training. School owners emphasize that because of the practical, hands-on approach they take, and the absence of rigorous entry examinations and unnecessary testing on theory, they can persuade a person with a record of chronic underachievement to give education one more try. For this group, it is claimed that a proprietary institution is a school of last resort.

When it gives an individual another chance to develop himself, proprietary education performs an important service. Assumption of social responsibility, however, carries with it an attendant duty—to refrain from stimulating the desire for betterment only to exploit it unfairly. Educational consumer abuses deserve more censure than most because they can deprive the customer of not only his money but also his hopes. As the sentencing judge observed in a criminal fraud case involving an unscrupulous truckdriving and heavy equipment school that recruited via help-wanted ads, this was "a particularly obnoxious type of crime." [25]

Potential Problems in Proprietary Education

The hybrid nature of a proprietary vocational school leads to its sharing the problems and potential of education along with those of business. As a school, it can encounter problems facing any institution that offers education and training. Knowingly or unknowingly, the school may have inadequate courses, poor facilities or unqualified instructors. The training or education offered may be too difficult for the students accepted by the institution. A course may qualify an individual for a job opportunity that is virtually nonexistent. Failings like these are not confined to proprietary education, of course. They occur in public and nonprofit education as well.

As a business, the proprietary school runs the risk of other profit-oriented establishments. Prospective buyers may be misled about the nature of the product through deceptive advertising or the statements of sales representatives. Customers who decide not to use the product may find that the refund policy is unfair or enforced only under the threat of complaints or legal action. Poor financial management can result in insufficient cash reserves and the risk that an unforeseen contingency will lead to bankruptcy, leaving customers without the product and without any monetary compensation. Proprietary schools are not exempt from the management difficulties that confront any business and reportedly are the principal reason for the majority of small business failures.

A small minority of businesses operate with a conscious intention to defraud the public. The proprietary school industry has had its

[25] Postal Inspection Service, "Law Enforcement Report," July 1974, p. 24.

share of these unscrupulous operators, who can give an entire industry a bad name.[26] The most glaring instances of fraud usually occur in schools that have not attained accreditation and, in many instances, operate without any kind of State licensing. A recent issue of the Postal Inspection Service's Law Enforcement Report summarized a fraud investigation of an unaccredited, unlicensed school that had "victimized at least 10,000 persons of an estimated $3 million." [27]

Operators who set up schools for the purpose of making a quick kill and then avoiding the legal consequences of fraud will probably place themselves outside the reach of State licensing laws, the Federal Trade Commission, accrediting agencies or Federal eligibility rules. These safeguards rely on a modicum of good faith. Outright fraud is a problem which we believe is most effectively addressed by criminal prosecution rather than the regulatory and eligibility criteria addressed later in this report.

THE SCOPE OF PROPRIETARY SCHOOL PROBLEMS

All of the witnesses who testified at the hearings said that there were problems in proprietary education. This consensus on the existence of problems, however, was not matched by any agreement on how severe these problems are. Representatives of accrediting associations quite naturally contended that much of the concern is overstated. Dr. Harold Orlans, who had recently completed a study of accreditation and eligibility, gave as a conservative estimate that 5 to 10 percent of accredited schools were involved in consumer abuse of one kind or another.[28] The commissioner of the Indiana State Private School Accrediting Commission, one of the more active State regulatory agencies, cited statistics on all complaints about proprietary schools, ranging from inconvenience through fraud. Complaints of all types were received on only 8 percent of the proprietary schools now located or operating in the State of Indiana. Allegations of fraud were extremely rare. But this group had already been severely culled; at the time Indiana began its program, an initial scrutiny resulted in denial of State approval to almost one-half of the schools then enrolling Indiana students.[29]

Another indicator of school problems is the number of complaints received by Federal and State authorities and consumer groups. Judged against the student population, that number is remarkably low and might be read to indicate that problems are not as rampant as industry critics suggest. Drawing the inference that problems are proportional to complaints, however, assumes a willingness to complain and knowledge of where to complain. Many observers contend that the complaints on file in Federal agencies are low in part because most students do not know where to write and also because the agencies have not established a single collection point for serious charges of abuse. In addition, the traditional assumption that educational failures are the fault of the student is reinforced because large numbers of enrollees have not excelled in earlier school experiences.

[26] "The public is quick to associate correspondence instruction in general with the disreputable operators. If the legitimate suppliers want to avoid being associated with fraudulent schools, they must do all they can to see that the frauds are put out of business." MacKenzie, note 6 supra, p. 117.
[27] Law Enforcement Report, note 25 supra, p. 25.
[28] Hearings, p. 69.
[29] Hearings, p. 84.

Reluctance to complain is shown when even clear cases of abuse, such as the collapse of large schools, result in complaints from only a small percentage of those victimized.

A series of exposés in the media has identified a number of unhappy individuals and some former school employees who admit to having engaged in discreditable practices. Most exposés are of an anecdotal nature. While the specific instances cited may be correctly described, they do not give a good statistical indicator of the size of the problem. Also, some of the schools singled out in media accounts are able to produce evidence of satisfied students to refute charges that their training is worthless.

Evidence of problems is shown by successful legal action against schools such as Postal Service mail fraud cases, FTC consent decrees, and lawsuits by students or State governments. Here again we can see that greater protection against abuses is required, but the precise number of bad actors or bad actions cannot be calculated.

The state of knowledge about this industry—the number of schools is not known with certitude—does not permit a reliable estimate of the extent of abuses. Although we would prefer to cite figures indicating the percentage of students likely to be victimized, we are satisfied that the problems are widespread enough to call for changes in school operations and regulations. So is the Federal Trade Commission, which discussed at the hearings the possibility of a trade regulation rule for the industry.[30] A proposed rule was subsequently published and will be the subject of hearings in a number of cities.[31] Because this proposed rule could result in a significant change in school operations, the Federal Trade Commission published a fact sheet to accompany the rule. We believe this constitutes the most recent attempt to draw up a bill of particulars. For that reason, it is deserving of more detailed examination.

PROPRIETARY SCHOOL ABUSES AS DEFINED BY THE FTC

The Bureau of Consumer Protection's factsheet on privately owned vocational schools enumerates the major provisions of the proposed rule. It follows this with information about the industry gathered by the staff of the Federal Trade Commission. In four paragraphs, the fact sheet describes the problems as the FTC views them.

First, "the Commission staff has reason to believe that some schools engage in deceptions and misrepresentations" in seven areas: (1) course quality; (2) employment and earnings potential; (3) admissions standards and the enrollment process; (4) tuition and refund policies; (5) the extent or meaning of accreditation; (6) dropout rate; and (7) extent or meaning of Federal participation and funding. The Commission's fact sheet adds an 8th point: "schools fail to fully disclose material facts."

Second, the fact sheet identifies dropout rates by noting: "a substantial dropout rate appears to be a problem throughout the industry.

[30] Hearings, pp. 49, 50.

[31] 39 F.R. 29385, Aug. 15, 1974. The Commission's Bureau of Consumer Protection issued a factsheet citing four major provisions of the rule: (a) substantiation of employment and earnings claims, (b) disclosure of dropout rate and placement statistics, (c) a 10-day cooling off period with the prospect's failure to reaffirm making the contract void, and (d) pro rata refund policy.

FTC staff research has found that accredited home study schools have a dropout rate of approximately 88 percent." The fact sheet then notes that dropout rates are lower in residence schools, with very low rates in a few fields, but that some areas of training have dropout rates of over 50 percent.

Third, the paper points to placement problems, beginning with the following statement: "Commission staff believes that the widespread inability of the proprietary vocational school industry to provide students with training that results in jobs is probably the major consumer abuse." The FTC estimates that under 10 percent of the initial enrollees in home study schools and less than 50 percent in residence schools find jobs in the field for which they were training.

Fourth, the fact sheet identifies refund policies as a problem area. "Almost every vocational school appears to use a refund policy that requires a student who drops out to pay for some unused classes or lessons."

In laying out the need for the trade regulation rule, the Federal Trade Commission has turned to quantifiable indicators in three of its four charges. There will probably be some disagreement about the overall industry statistics, and further argument about some of the terms, but the FTC approach does look at measurable activities. Schools know how many people finish their courses, and many of them already determine through statistical sampling the approximate percentage who find jobs in the field they trained in, as defined by the Dictionary of Occupational Titles.[32] Refund policies are spelled out in the enrollment contracts. The FTC concentration on these figures provides a much firmer base for performance measurement than would an alternative approach, such as attempting to assess student satisfaction. But if these figures are to be used, they must be relatively accurate, defined as precisely as possible, and, above all, valid reflections of what they purport to measure.[33]

Proprietary vocational education has a much better defined purpose than academic education, for its goal is to equip the student for employment or advancement. Vocational education, especially that offered by private schools, shies away from such praiseworthy but vague objectives as "develop the whole person" or "give the student the basis for understanding himself and his culture." Trying to devise some event or statistic that would measure the value of an undergraduate education would be a difficult, if not an impossible, task. Vocational education lends itself to such a measurement, although there are undoubtedly problems with any simplified approach.

[32] See, e.g., "Survey of Student Success and Satisfaction," an ASI Guided Independent Study conducted by Ernst & Ernst for Advance Schools, Inc., Chicago, Ill., Aug. 15, 1974. The definition of employment in work related to the field of training made use of the "Dictionary of Occupational Titles." See section of study entitled, "Employment," footnote 2.

[33] The correspondence education research project study financed by the Carnegie Corp. warned, "Course completion statistics are doubly misleading if one attempts to generalize from them. A student may drop out because the work is too difficult or because he does not have sufficient motivation to keep up with the work. But he may also stop submitting lessons because he has satisfied personal goals before the completion of the course." The study also points out that some schools maintain course completions by indicating "the percentage of lessons submitted out of the total number required from all students enrolled." In this case, course completion would not indicate the number of students who finished the course but the overall percentage of required lessons submitted by all students. MacKenzie, note 6 supra, pp. 98–99.

During the hearings, which occurred before the publication of the trade regulation rule, the subcommittee indicated that it favored publication of dropout and placement statistics. To this degree, we agree with the approach of the FTC, but we think the fact sheet uses the wrong basis to derive these important indicators and that it draws unwarranted conclusions from them.

First, the use of the term "dropout" in the fact sheet apparently does not recognize the difference between a student who never submits a lesson and one who embarks on a course of study but fails to complete it. Apart from the fact that use of the term "dropout" rather than "completion" accentuates the negative, the FTC does not recognize what the industry terms "nonstarts." A nonstart is an enrollee who never submits a lesson; he can hardly drop out from training he was never in. The staff is aware of nonstarts as high as 15 percent in some courses; including this group distorts the figure. Many home study schools presently have policies that provide for a complete refund to the student who never submits a lesson. Where a school charges a student nothing, or only a modest fee to cover administrative costs of enrolling and disenrolling him, we do not believe that he should be swept into a statistical measurement that purports to judge the effectiveness of the school's training. Schools should provide completion rate data to prospective students based on the number of past enrollees who actually began training.

This error in devising a measurement is carried over in the FTC's discussion of placement rates. On the basis of the low percentage of initial enrollees who get jobs in their field of training, the FTC makes a major condemnation of the value of proprietary school training. The fact sheet speaks of "the widespread inability of the * * * industry to provide students with training that results in jobs" calling this "probably the major consumer abuse."

The figures cited in support of this statement do show a very real problem, viz, in many cases the number of students who are able to finish the course is unacceptably low. In our judgment, these figures do not show what the FTC claims: That schools cannot provide training that results in jobs. Until a student completes the course, he has not received the amount of training the school has established as necessary for job qualification. The logic would call for judging a law school by comparing the number of initial applicants for the freshman class with the number of graduates who pass the bar 3 years later.

The FTC's composite figures on home study are an appropriate illustration. First, 12 percent of initial enrollees complete the course. Second, the number of these initial enrollees who get jobs is "well under 10 percent." If this phrase were interpreted to mean around 8 percent, then out of every 100 students who initially enrolled, 12 would finish the course and 8 of these would get jobs. This would indicate that two of every three students who completed a course got a job in the field, hardly a basis for charging that the training is not effective. The low completion rate, however, does suggest indiscriminate recruiting. As discussed subsequently, the committee believes that enrolling people who cannot complete the course is a major problem in many proprietary schools. But we cannot agree that the success of a training program is measured by what happened to individuals who never completed it, or as the fact sheet would have it, never even started it.

The fact sheet lists seven areas where there is reason to believe that deceptions and misrepresentations occur. Information developed during the subcommittee's hearings and staff investigation points to the second of these categories—employment and earnings potential—as a primary area for concern. Violations of the seventh category—extent or meaning of Federal participation and funding—are frequently reported with respect to Veterans' Administration funding. Schools sometimes do not use the permitted phrase "approved for veterans" but some variation such as "approved by the Veterans' Administration." In citing misrepresentation, the FTC has identified a major problem area. Some cases are blatant, while others involve delicate judgments.

The FTC's statement that students pay for lessons not received applies to most vocational schools that the subcommittee staff visited. As noted later, the present refund policies of schools appear to be inequitable to students at certain completion levels. Paying for unused classes is required not only of proprietary school students but also of college and university students. Many institutions of higher learning have adopted refund policies that are more unfair than those of proprietary schools. The Office of Education's proposed regulations for guaranteed student loan programs should help redress this; they call for an equitable refund policy in every institution enrolling loan-supported students.

Analysis of Problem Areas

Those who choose a career in the private vocational school industry expose themselves to the risks of making honest mistakes and the temptation to tilt dealings with students in their own favor. The potential for abuse exists in both the school's educational operations and its business dealings. There is interaction between them: a drop-out, or refusal to pay for lessons, can be founded on the student's belief that the educational material was inadequate. Keeping them separate for purposes of discussion, the following section examines the abuses and some of the conditions that tend to check them.

It is necessary at the outset to distinguish between "normal" complaints and abuses requiring corrective or regulatory action. Many of the things proprietary school students complain about, generally only to the school, do not necessarily indicate the existence of abuses. They may reflect a temporary inefficiency in administration or stem from forces outside the school's control. In correspondence education, for example, the most prevalent complaint seems to be late receipt of a new lesson that should have been shipped when the school graded the previous lesson. Other day-to-day complaints include inoperative equipment, missing parts from kits, or confusing lesson material for one segment of a course. Problems like these are vexing for the student—and often for the school—and should be solved. They can hardly be called consumer abuses unless they are flagrant and repeated.

Course and Instructional Quality

Turning first to the educational operations of the school, there are instances of poorly prepared material, inadequate testing of the student's knowledge, incompetent instructors or unsatisfactory facili-

ties—the general complaints that might be made about any program of education. The quality of the course material and the instruction is of major importance in any proprietary school, since this is the heart of what the consumer buys. Instances of inadequate training came to the subcommittee's attention during the course of its investigation. Nonetheless, our investigation suggested that this is not the major area of consumer abuse. Almost three-fourths of complaints to the Office of Education, for example, are about business practices.[34] The staff examined the educational materials for a number of courses, including some that had a low completion percentage. The material generally appeared to be adequate for instructional purposes. Longer courses prepared by the same home study school will have more dropouts than shorter ones. This suggests that low completion ratios in themselves do not necessarily mean that the instructional material is poor. Staff observation of the accrediting process revealed a rather thorough—and often critical—analysis by subject-matter specialists. Without downplaying the need for continued improvement of courses and educational research, we conclude that development of effective instructional material is within the capability of most well-managed schools. This is not to say that all schools have in fact developed adequate material.

Acquisition and retention of instructors is a problem for many residential schools. There is no tenure. The instructor may lose his job because the enrollment drops or the course is phased out, and the pay is constrained by pressures to keep operating costs down. Residential school owners said that good instructors like to teach; otherwise, the modest salaries and sheer number of contact hours (30 a week in one school) would discourage them. Recruiting teachers is often a problem, but the school can tell rather quickly whether a teacher is effective.

Revision and updating of course material is subject to the same constraint, although some of the schools visited by the staff were spending or planning to spend considerable sums of money on course revision. Some proponents of proprietary education claim that many of the innovations now being recognized in public education were pioneered by profit-seeking schools. Home study examinations are often designed to be reinforcing, providing a type of programed learning. The student is expected to answer almost all questions correctly. Proprietary schools were also emphasizing learning through practical application before this became fashionable in the educational community at large.

Educational quality and innovation are both encouraged and constrained by the business side of proprietary education. They are encouraged because the school wants to please its customers by making it possible for them to complete the course and gain the new job or increased responsibility they seek. They are constrained because course development money has to come out of the budget.

LOW COMPLETION RATIOS

Enrollments are necessary for the school to survive and, with a few exceptions, schools continually have to seek new students. We believe

[34] Hearings, pp. 140, 148.

that the need to attract students gives rise to the most serious problems in proprietary school operations.

For a number of reasons, prospective customers for proprietary education are in a less favorable position than prospective customers for other services or commodities. Education is an intangible. Its ultimate value depends in part on the institution and in part on the student, unlike many services, such as car repair, that are performed entirely by the provider. (Even here, of course, the consumer is often at a disadvantage since the service cannot be judged until it has already been performed.) A consumer buying hard goods, such as electrical appliances, is in a much more advantageous position than a student trying to determine whether a certain course is suited to him and worth the money.

Some proprietary school students do shop around, but it appears that for the majority, the choice is not between school A, school B, or school C, but between the school that has attracted his attention and competing use for his money and time. This is supported by the significant variations in the price of essentially similar courses offered by different schools. The purpose of a sales talk with a student is not only to convince him to enroll in an electronics course, but to enroll him in a particular school's course. It appears that much of proprietary education fits the description sometimes applied to life insurance—it is sold to people and not bought.

Because the commodity is education, an assessment of its value cannot be made without considering the user. A carefully developed and well taught course of instruction is not automatically suited to every prospective buyer. A major problem arises when a course is sold to the wrong buyer. A parallel is found in encyclopedia sales. When an individual is persuaded to buy an expensive set of books he will never be able to use, the objectionable aspect of the sale is not the product. It can be argued that the thousands of carefully written entries with their accompanying pictures and diagrams are well worth the price. The sale is objectionable if the salesman knows that the purchaser will gain little or nothing from the product, for here the quality of the product becomes irrelevant. We believe that some of the disturbing completion rate statistics in home study courses are attributable to selling to the wrong customer, rather than to the educational merits of the course.[35]

A student who cannot benefit from the product can become a customer for proprietary education in several ways. Most blatant is the

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[35] The Carnegie study noted: "Most schools have some kind of screening process to avoid obvious misregistrations, but the rejection rate is admittedly low. The salesman also can use his discretion to dissuade a prospective student who is unqualified, but since the salesman is usually paid on a commission basis, he is unlikely to pass up a sale at his own expense. * * *

"Correspondence schools with wide-open admissions policies can be thought of as using a marketing approach in specifying the student. The prospective student is assumed to know what he needs to learn and to be able to judge whether the course will meet his requirements. Many times prospective students simply are not in a position to evaluate a course or to know what skills, abilities, attitudes, and knowledge are required to take it. Often they are sold a course rather than measured for it by specific, established criteria." MacKenzie, note 6 supra, pp. 95–96, 131.

Another study of correspondence education pointed out, however, "In spite of what a fraction of the public may believe, no reputable home study school wants to enroll a student who does not intend to pursue the course. Most schools lose money on non-starts. Usually the down payment is not high enough to cover acquisition costs, first instructional materials, and overhead. One of the greatest needs in home study is a sure-fire way to detect non-starts in advance. Research in motivation has not given the answer in a form which home study schools can use." Kempfer, note 19 supra, p. 48.

door-to-door sweep of a public housing or low income area. One school owner ruefully related an experience with an independent contractor who recruited on the basis of a fixed payment for every student he was able to enroll. A large proportion of the students enrolled by this contractor were simply unable to deal with the material. A great many others had not been told that study and application would be required on their part. Such "head-hunting" is made much easier by Federal programs that provide loans or grants for education. In earlier times, the fact that a great many students could not pay for the schooling served as a check.

Setting aside any intention to recruit indiscriminately, pressures on the school and its representatives to obtain students can result in persuading the wrong people to enroll. Emphasis on the positive must be expected; the school must first get the applicant to picture himself enjoying the benefits of the training before emphasizing the hours of study and classroom time involved. As in other selling, accenting the positive can shade imperceptibly into an approach that is deceptive or misleading. The salesman or the school's advertising can gloss over or omit entirely the fact that education requires a commitment by the student and will require his time and effort. A student can be led to believe that he will breeze through the training because of his obvious talent. The ultimate result of completing the course can be painted in such glowing colors that the student expects employers to seek him out with offers of splendid salaries. Misleading of this type can occur more easily if the training is in a new or glamorous field. Most people know what auto mechanics, secretaries, and beauticians do. They probably can get a realistic estimate of how much they are paid. The average prospect may not be so familiar with the computer field, however.

Schools can check the pressure to sell to every prospect by controls over the salesman. Correspondence schools have greater problems in this regard than residential schools, since they do not have face to face contact with their students. One control is to peg the salesman's compensation to how well the student does in the course. This discourages enrolling students almost certain to drop out or never start at all. But some schools contend that this requires cumbersome bookkeeping, and either makes the salesman wait too long to get paid for his work or forces him to rebate money to the school when the student subsequently stops taking the course. Some home study schools mail a questionnaire to the student to be sure that he understands the course requirements and what is expected of him. There are two sides to the story of what the student was told, of course, and school administrators wryly point out that some complaints never surface until the first payment on the loan falls due.

Schools can also eliminate the student who is unlikely to benefit from the training by entry tests. Most home study school owners say this is impractical in their field. They add that where such tests have been used, they have often been distorted. An entry test can be written so that almost everybody passes, or the sales representative can "help" the student. Residential schools are better able to devise and enforce effective screening before enrollment. One school visited by the staff tested potential students and maintained careful control of the tests. The school reported that roughly one-half of the students failed to

make a passing grade. Even with this failure rate, a student in the course thought the test was too easy to justify a determination that he was qualified for the training.

Both home study and residential schools can identify some of the likely dropouts by carefully monitoring the early stages of the course. Some home study schools disenroll students who fail the first two lessons and refund their money. Monitoring the early stages of the course can reduce the loss to students who are not likely to complete the instruction. Successful monitoring depends on the good will of the school and does not seem susceptible to regulation: it is simply too easy to write lessons and examinations that almost anyone can pass.

The dropout problem is more severe in home study schools than in residential schools. We believe much of this difference comes about because home study schools are separated from their students. Both parties to the contract have less information about each other than if the student had walked into the school. This makes it easier for the student to be misled by, or to misinterpret, the school's sales representatives or its advertising.

The separation of student from school in home study courses also gives rise to what many school owners consider to be one of the most difficult challenges—motivating their students. Correspondence study requires a great deal of self-discipline; a student does not get the reinforcement of his peers in the classroom. Nor are the demands on his time and effort offset by the benefits of being in the company of others who share a common experience and seek a common goal. Schools have devised various methods for motivating students, including a series of letters, telephone contacts and, in some cases, visits by the sales representative who sold the course. Tape cassettes for lesson grading and suggestions reportedly are effective in helping the student keep up his efforts. In television repair courses, color sets are not furnished until the last stages of the course, and are said to provide a strong incentive to continue studying. Completion rates are lower for long courses than for short ones, demonstrating that the longer the effort continues, the smaller the number of people willing to make it. Many schools claim they lose money on students who finish less than one-third or one-half of the course. The adage "a studying student is a paying student," is cited as expressing the need for the school to keep motivating the student. In this way, the proprietary school student may get more necessary reinforcement than his counterpart in a public institution.

Any interpretation of completion rates must take into account the student who quits for personal reasons. Some drop out not because the course is too difficult, or does not seem to have value, but because they grow tired of studying. Others get married, move, or change jobs; and in some courses, a student may satisfy his objective or get a job before he finishes. Schools cannot fairly be held responsible for many of the events that cause students to decide not to go further. But because they know that study involves commitment, the schools should make it clear to the student that determination and persistence are needed to benefit from the training.

Most practitioners of proprietary education agree that selling a course to someone who cannot use it is deplorable. Indeed, selling to

an unqualified individual is prohibited by the standards of the National Home Study Council, the accrediting agency for home study instruction, which has the greatest dropout problem.[36] But the schools raise an argument that might be raised by an encyclopedia salesman—how can we determine with certainty that an individual won't benefit? And even if we could, how can we reject the application of this person if he is really intent on taking the course? After all, our world is full of surprises. Sometimes an individual who looks like the last person in the world who could benefit turns out to be very successful.

Although these arguments have some logic, they must be placed in perspective. The existence of a widespread sales network to attract students suggests that most schools are searching for enrollments. The performance of some students is such that the salesman should be able to recognize the unlikelihood of their completing the course. In fact, some schools employing salesmen instruct them to emphasize to the interested prospect that study takes work. One home study school claims that over half their enrollees complete the course because of policies like this.

The standards of the National Home Study Council state that students should not be enrolled unless it is reasonably certain that they are qualified for the training. Extending this to a reasonable certainty that they would benefit from the training would provide an even better standard. Adherence to this standard by all proprietary vocational schools would probably remove the single greatest cause of consumer unhappiness.

ADVERTISING

Proprietary school advertising has come under considerable criticism. The casual reader of magazines and viewer of television occasionally will encounter advertising that he may feel is objectionable. The Federal Trade Commission lists first on its factsheet problems of deception and misrepresentation, with the initial two examples being course quality and employment and earnings potential. The practice of deceptive advertising is easier to control than misrepresentation by salesmen, since the advertising can be examined. For this reason, it should be less difficult to bring under control than the activities of sales forces. Although examining the advertising of 10,000 schools would be a staggering task, the proprietary vocational school industry is like most others—a small percentage of the firms have a high percentage of the business. National or regional advertising is practiced by correspondence schools and by residential school chains. Their numbers are more manageable. The National Home Study Council accredits 158 schools, representing 72 ownerships, out of some 700 to 1,000 private home study schools. These 158 schools enroll nearly 1.5 million of the over 2 million home study enrollees.[37]

Any system of advertising review must work rapidly if it is to do any good. One school owner told a staff member that he sent some proposed advertising copy to the regional Federal Trade Commission

[36] "Business Standards," National Home Study Council, 1974, sec. 2, B, 1, reads: "It shall be the responsibility of the school to establish the qualifications which an enrollee must have to enable him to successfully assimilate the training materials to be furnished him and to determine with reasonable certainty, prior to the acceptance of his enrollment, that the applicant is informed of, and has the proper qualifications to take the training for which he is applying."

[37] Hearings, p. 248.

representative just to make sure he did not run afoul of the guidelines. He was advised that proper clearance would require submission to Washington and that it would be months before the copy was returned. Several people in this chain of information could have had some of their facts wrong, but the story illustrates the need for speed if review is to be effective.

Television repair courses illustrate the need for better monitoring in this area. Home study school advertisements in a recent electronics magazine tried to outdo each other in emphasizing the number and quality of television sets offered with the course. Reference to the fact that training was the primary purpose of the course was generally buried in the fine print.

This advertising was used even though these schools are members of the National Home Study Council whose standards provide that advertising shall emphasize that the school offers training, not jobs or equipment. The council recently began to bestir itself about this problem, but in the meantime schools not wanting to get into the equipment advertising business feel they have to in order to compete. One major company offering courses in this area has changed its advertising over the past year to place greater stress on the training. Several months ago, their advertisement in a widely selling magazine stressed the acquisition of a color television set and that assembling it could open the door to a delightful hobby.[38] Reacting to advertisements such as these, the Congress mandated that schools whose courses were approved for veterans vocational training could not use advertising that stressed the avocational or hobby aspects of a course.

The continuing need to attract students suggests that unless the accrediting commission or some other organization monitors school advertising, exaggerations will continue. The competitive nature of big school advertising can punish the responsible school, whose ads look pale beside those of their competitors. Any monitoring must recognize that many of the largest schools must advertise to stay in business, and advertising has to accentuate the positive if it is to achieve the desired effect. As one school representative said, "we won't get many students if we only talk about the fact that they will spend 15 to 20 hours a week studying at the kitchen table while their friends are out bowling."

REFUND POLICIES

Even public or nonprofit educational institutions generally charge money for their course offerings. Schools in any category have to develop a policy on what to do if the student does not finish the course. Proprietary schools, operating as businesses, must consider the cost elements of this decision perhaps differently than public institutions. That consideration may result in a liberal refund policy so that the school can emulate other businesses that boast of favorable refunds. Or the school may consider the costs of acquiring a student—generally over $100—and decide that at least some of this expense should be borne by the student. Some operators believe that there should be some penalty attached to early dropout if only to insure that the vacillating student gives careful thought to a decision to discontinue his studies.

[38] Readers Digest, October 1973. Advertisement at pp. 255-257.

Refunding money in proportion to the amount of lessons remaining in the course is a practice of very few schools. Most federally supported students are enrolled in accredited schools, and these schools have refund policies at least as favorable as those prescribed by their accrediting associations. These standards divide the course into percentile segments and require that payments be made to the next highest segment. A typical school refund policy might provide that a student who completes under 10 percent pays for 10 percent, between 10 percent and 25 percent completion he pays for 25 percent, and between 25 percent and 50 percent he is charged for 50 percent of the cost. After completing half the course, the student is liable for the full price. This rule is fairest to the student who is just below the division line—in the example, one who has completed 9 percent, 24 percent, or 48 percent of the course. It is least fair to the student who has just crossed the completion line—in this case, one who has finished 11, 26, or 51 percent of the course.

For the student, a more equitable alternative to the present refund according to proportion of course is to refund the exact cost of lessons not used. Pro-rata refund has a number of attractions. It can serve as a check against the practice of enrolling students who cannot reasonably be expected to benefit; if they drop out early in the course, a pro-rata refund probably will cause the school to lose money. This can be a powerful incentive for the school to live up to its advertising about the course. Of course, permitting a student to treat his contract as continually subject to repudiation carries disadvantages for the schools. Most of them must spend money to attract students. Retaining a modest administrative fee, permitted by VA regulations requiring pro-rata refund, often does not make up the acquisition costs. Accrediting commissions now urge schools to provide favorable refunds to students who cannot continue because of illness, accident or death in the family. Pro-rata refund gives this consideration to all students, including those whose reasons for quitting may not justify it. The committee's support of pro-rata refund is based on the need to give students an opportunity to evaluate the training or education after they have had a chance to experience it—something a cooling off period does not provide. We recognize, however, that more equity for the student is achieved at the cost of less equity for the school.

Home study schools can provide pro-rata refunds at less financial risk than can residence schools.[39] Correspondence education courses have no fixed class size. If one student quits, it involves nothing more than the loss of his future tuition. Residence schools will have more difficulty, since many of them have a limited class size. If the school is doing well and filling all its seats for each class (which is not always the case), the student who drops out shortly after the start of the course leaves an empty seat. Another applicant, turned away because the class was full, might have finished the course. The same problem

[39] As noted earlier, schools usually do not profit from enrolling people who will soon drop out, and some schools try harder than others to insure that the student understands what is required, and that he can reasonably be expected to finish. Even pro-rata refund, which penalizes the school for dropouts, including those which result from causes outside the school's control, can be misused by an unscrupulous school. Lessons up to the point in the course where the school makes a profit can be made especially easy, so that the student is suddenly confronted with difficult lessons only after he has invested a considerable sum of money. Accredited commissions and State licensing agencies appear to be the best safeguards against this practice.

is faced in many college courses. The common solution today is to skew the tuition payments so that it is costly to drop out.

A refund policy that is equitable to the student must still be fully enforced to be effective. Refunds should be automatic when the student fails to attend a certain number of classes or fails to submit a home study lesson within a specified period. A fair policy will do little good for many students if the school only refunds the money when threatened with legal action.

SCHOOL COLLAPSES

As a business, a proprietary school runs the risk of going out of business. When this happens, it can cause one of the most serious student abuses. The school should have a reserve to enable it to service its ongoing courses. If it does not, a decision to cease operations not only stops recruiting of new students, but can stop the servicing of already enrolled students and result in loss of their educational records. In the case of one school alone, several million dollars of unserviced student accounts were created by bankruptcy.[40]

Individuals closely alined with the proprietary school industry told the subcommittee staff that in their opinion the financial stability of schools was a more serious problem than many of those receiving greater public attention.

Part of the accrediting process is an examination of the balance sheet. But a full accreditation review is scheduled only every 5 years, although the commissions sometimes order a review for cause. Schools have closed their doors with insufficient funds to continue servicing students shortly after the accrediting commission has reviewed and approved a recent balance sheet. This can happen when the school's student body decreases rapidly because of economic downturns in a particular industry. Changes have occurred in the period between preparation of the balance sheet and its final presentation.

The student who is unhappy with the service he is getting at least has a fighting chance to obtain redress through complaints or refunds. But the student who is enrolled in a school that goes out of business has no chance at all, if the school has not provided a way to take care of him through continued servicing of his lessons or a no-cost transfer to another school. There have been proposals to have the Federal Government insure the student against failure of a school classified as eligible for students receiving Government loans. This idea of making up the student's monetary loss (his time and study may be lost forever) is appealing, especially when many students assume that an eligible institution has the stamp of Government approval. It has the disadvantage of throwing the loss resulting from inept or careless management onto the Government. A suggestion offered by some is to require schools to submit a periodic cash flow statement, either to the accrediting association or to a Government agency. They contend that such a statement would not entail extra work on the part of the school, since it should be keeping track of cash flow anyway. Further, it would provide a timely indication of schools which might be getting into a position where they could not fulfill their obligations to the students. We believe this idea is worthy of further exploration, especially if the Federal Government is to assume responsibility for

[40] Even though the institution had been unable to secure accreditation, it was approved by the State board of school approval, approved for veterans, and had participated in the guaranteed student loan program since 1967. Hearings, pp. 3, 4.

the bankruptcy of schools deemed eligible to participate in the Government student loan program.

PRINCIPAL AREAS FOR CONCERN

The foregoing analysis has pointed to several aspects of proprietary school operations which can lead to abuses of students. The principal areas, as we see them, are:

1. Educational quality;
2. Misleading advertising or sales presentations;
3. Acceptance of students who reasonably cannot be expected to benefit from the training, even if the advertising does not mislead and the course is good;
4. Refund policies that are inequitable or reluctantly enforced; and
5. Inadequate financial reserves that could lead to school closure without any remedy for the students.

Some of the internal corrections have already been discussed, but there are also situations and forces outside the school that can provide safeguards against abuses.

SAFEGUARDS AGAINST ABUSES

Both parts of proprietary school operations—the educational and the business—are subject to various forms of checks. Some of these arise naturally from the schools or the marketplace; other occur as a result of governmental involvement.

1. *Accreditation.*—Most of the schools enrolling Government-supported students are accredited by one of the major proprietary school accreditors. Although only a minority of schools are accredited, they generally are the largest schools. Consequently, a large majority of proprietary vocational school students attends accredited schools. Accreditation of proprietary schools, as with universities, involves a review by one's peers. A basic objective is the gradual upgrading of institutions engaged in education. Because the Federal Government is enjoined from involving itself in judgments about the quality of education, it has relied heavily on the accrediting commissions of the major proprietary school associations in making eligibility judgments.

As presently constituted, these commissions are part of the associations promoting proprietary education but act independently in passing judgment on member schools. They have been challenged on the grounds that they are not sufficiently disinterested. Efforts to insulate them from the parent association, which essentially promotes the industry, allegedly have not resulted in enough distance. Their ability to discipline or eject member schools and to move quickly is constrained by financial limitations and exposure to legal action. Schools have brought suit when failure to obtain accreditation, or subsequent disaccreditation, effectively barred them from participating in Federal programs. Each time accreditation is denied or withdrawn, actual or potential fees to support the accrediting commission's work are lost. Despite these and other limitations, accrediting agencies seem the most practical mechanism today for ascertaining whether the education and training being sold by proprietary schools is sound.

Government reliance on accreditation, however, has extended well beyond the area of educational quality. The accreditors have responded to complaints from Government agencies regarding advertising, business practices, refunds, and other alleged wrongdoing. From the accounts given in the hearings, their cooperation has been excellent. A staff examination of the complaint files of the National Home Study Council revealed that considerable effort was made to give the student the benefit of the doubt. While they have cooperated, and state that they desire to continue doing so, the accrediting associations also say that they are not Government regulatory agencies, and should not be used as such.

The head of one accrediting association conceded in the hearings that accreditation alone was insufficient as a regulatory control on the schools.[41] We believe he is right. Accrediting teams, some of whose members must be drawn from the industry in order to obtain expertise, can try to be totally objective, but can hardly avoid an empathy based on common problems. Commissions which throw out too many schools—and accrediting commissions do disaccredit members as well as refuse to award initial accreditation—lose the dues revenue necessary to sustain themselves. In some cases, they also expose themselves to protracted and expensive litigation. There are other drawbacks. But accreditation will continue to play a major role, simply because a really effective alternative has yet to be proposed.

In their efforts to improve the effectiveness and image of proprietary education, accrediting agencies should emphasize the recruitment of students likely to benefit from the training. This effort should include periodic review of school advertising. The commission's examining teams should verify, during the accrediting examination, that the school is (a) encouraging the sales representatives to enroll only students who have a reasonable likelihood of completing the course; and (b) monitoring early lessons closely to identify students with a low potential for progress.

Traditionally, most proprietary schools have been willing to accept for training students whose academic background may not have permitted them to enter other educational institutions. Giving students a chance to prove themselves and assuming that most people can be trained finds its counterpart elsewhere in the increasing use of open enrollments. When holding out opportunity for self-improvement, however, the schools should endeavor to assure themselves that the prospect can actually use that opportunity. Predicting how well a student will do is not an exact science, but there are helpful indicators. In cases of doubt, the prospective student should not be left with the illusion that he will have no difficulty. The range in completion statistics among schools offering similar training shows that schools can function while refraining from enrolling large numbers of people unlikely to benefit.

The parent councils and associations of the accrediting commissions are concerned about school failures that leave students stranded somewhere along the educational process. We suggest they explore the feasibility of more timely monitoring of their member's financial resources. The financial status of many schools poses no problem and should require little additional effort. But some of the schools should

[41] Hearings, pp. 169–171, 184.

be checked more often than at 5-year examination visits. One method proposed to the staff, offered here as a possible point of discussion, is periodic submission of cash flow statements.

2. *State licensing.*—Nationally, this is probably the most underutilized safeguard. There are notable exceptions. Several States have been cited, in the hearings and privately to the subcommittee staff, as having good licensing laws that also are enforced. Unfortunately, the effects of good State laws may never extend beyond the pages of statute books because enforcement is weak or nonexistent. A significant number of States have no laws at all. Others have licensing laws of minimal effect in protecting students through ascertaining that a school is competent to instruct him. The overall weakness in State licensing is the more disappointing because the States have greater power in this field than accreditors, Federal regulatory agencies, or Federal funding agencies.

From the Federal viewpoint, education is principally a State responsibility. Federal agencies do not make judgments on educational effectiveness. The Veterans' Administration, for example, determines which vocational courses may enroll veterans through approval agencies in each State. Over $10 million of Federal money is expended each year to fund State agencies but the Veterans' Administration has no effective control over them, nor has it prescribed standards for the States to follow. The approval agencies' performance, as might be expected, varies from State to State.

During the hearings, several witnesses discussed the triangular control system of accreditation, State licensure and Federal eligibility standards. This is a useful concept, with each part of the triumvirate responsible for what it can do best. In States that have no licensing laws, one leg of this oversight tripod is missing. A model law has been proposed that would enforce a minimum threshold of acceptability for proprietary schools seeking to operate within a State. The rate of enactment of this model legislation has been disappointingly slow. We would urge all States that have not done so to adopt either the provisions of the model licensing law or alternatives they deem more appropriate. The adoption of effective legislation, of course, must be accompanied by an effective system for administration and enforcement. The subcommittee learned of abuses in several States that would never have occurred had existing State laws been enforced.

A variation of State licensure requirements was discussed at some length in the hearings.[42] Mr. Joseph A. Clark, representing the National Association of State Administrators and Supervisors of Private Schools, is also a commissioner of the Indiana State Private School Accrediting Commission. He described the system in his State as founded on State approval. The effect of this approval seemed very much like that of accreditation, although the accrediting agencies say that the term by definition means peer review and not Government scrutiny. (Peer review is still attainable, however, since the State can recruit team members from the proprietary school industry.) The Indiana approval involves inspections under State auspices. Schools that are approved are permitted to use in their literature and advertis-

[42] Hearings, pp. 106, 107, 109–110. Although the system described by Mr. Clark seems to seek the same ends or accreditation, he strongly endorsed the accrediting agencies and the work they do. Hearings, p. 109.

ing a seal indicating that they have satisfied the requirements of the State of Indiana. In support of this approval program, the State of Indiana will not enforce proprietary education contracts with an Indiana resident if the school has not been approved by the State agency.

As described by Mr. Clark, this program represents vigorous State action. But when State course approval includes a judgment about educational quality, it raises a basic question about the usefulness of accreditation. Mr. Clark subscribed to the concept of the three-pronged system of safeguards, including accreditation. Accepting State approval as equivalent to accreditation, however, is considered by some as a threat to the existence of accrediting agencies. Perhaps accreditation can be sold on the classic function of peer review and continued upgrading; but a financially pressed school might decide not to join an association that requires it to pay dues when the State will certify its educational worthiness at no cost. Further, the use of the State approval emblem might seem equivalent to accredited status in the eyes of many purchasers.

Proposals for similar State verification of course quality for Federal eligibility purposes have been made by a number of people interested in proprietary education. This could be accomplished legislatively for the guaranteed student loan program by expanding the so-called Mondale amendment (or exemption, as some school advocates would term it) to include proprietary schools. At present, a State can certify public vocational educational institutions as eligible for guaranteed student loans after having had their systems approved by the Office of Education. Eight States are doing so. Proprietary schools, however, must be accredited by a nationally recognized agency.

Federal acceptance of State certification of proprietary schools might diminish the present tendency of most large schools to seek accreditation. Arguments can be made in favor of this, of course. One of the most cogent is that an institution should not be forced to join a voluntary private association to become eligible for federally supported students. The alternative of State approval, however, might lead to assessments of quality being made on local standards, not national ones. Present accreditors must operate on a national or regional basis. (The New York Board of Regents, sometimes cited as an exception, satisfies the regional requirement of operating in at least three States.)

Another difficulty might arise if State approval were considered equivalent to accreditation by the Office of Education. If the States established certification agencies in the same pattern as they have passed effective licensing laws, perhaps half would make a relatively serious effort to qualify proprietary schools. Should the schools in these States choose to leave the accrediting associations, the remaining schools might be too few to make a national association viable. This, in turn, would call for Federal determination of course quality, with its objectionable consequences, or for subsidy of accrediting organizations.

3. *The Veterans' Administration.*—The Veterans' Administration is a prime contributor to the proprietary school industry. Over $300 million a year in Federal benefits is paid to students attending proprietary vocational institutions. The 10 schools with the largest number of veterans enrolled are all proprietary institutions; home study

schools have huge VA-funded enrollments, including military personnel on active duty. Some large home study institutions report that VA-supported students constitute as high as 90 percent of their student body. This is an overdependence on one type of student, caused in part by directing recruiting efforts towards veterans. Advertising and sales contacts often emphasize veteran eligibility, since benefit availability can be used to negate the common argument, "I can't afford it." (The VA pays 90 percent of the cost of correspondence courses, and some veterans even obtain guaranteed student loans in addition to this payment.) Many schools that are not dependent on veterans to this unhealthy degree still find that the veteran population makes the difference between successful operation and failure. The phrase "approved for veterans" is crucially important to many proprietary vocational schools. Revocation of VA approval can cause a school to close—and close very quickly. Consequently, requirements of the Veterans' Administration can influence a huge section of the proprietary school industry.

VA has left untouched much of the potential for positive influence on the industry, however. The VA has been operating through 58 regional offices which handle local complaints; there is no central clearinghouse. Consequently, information received by a VA office that could be important to other Federal agencies often cannot be shared with them because it is not available at VA headquarters. At best, the State approval agencies funded by the VA are a cumbersome mechanism for a concerted approach to student protection. The extent of their cooperation depends on the State agency and there are no required standards that they must follow. Cases are reported where the State approval agencies do not share information with their sister agencies responsible for proprietary education in the State. And despite the great numbers of veterans who have been supported by the VA, the agency has remarkably little knowledge about the effectiveness of various types of education and training funded by benefits they provide.

As a funding agency, the success of the Veterans' Administration's benefits division is measured popularly by the number of veterans availing themselves of educational benefits. Pressure to increase the number of beneficiaries is ever present and leads to an attitude that nothing should be done to close off the veteran's options. The result is that the VA has not acted aggressively in cases where the student essentially is defrauding the Government. For example, the staff was told of students who enrolled in community colleges in their home towns, with very low tuition fees in many cases, and collected monthly stipends without bothering to attend classes. According to a former VA employee, veterans could clear $700 in one semester by doing this. In proprietary vocational education, veterans for years have been purchasing color television sets from home study courses teaching television repair. It is true that the set is not furnished until the course is nearly completed, so the veteran does obtain the benefit of the training. But in far too many cases, the veteran's existing educational attainments make it highly improbable that he actually intends to use this skill to earn money. Advertisements for these courses have often stressed the equipment that is furnished rather than the training that is offered.

Requirements for safeguarding the taxpayer's dollar spent for veterans benefits have generally been imposed from outside the Veterans' Administration. In 1972, Congress established essentially pro-rata refund policies for veterans enrolled in home study courses and provided that home study course contracts would not become effective unless reaffirmed by the veteran buyer after a 10-day cooling off period.[43] In the Vietnam Era Veterans Readjustment Assistance Act of 1974,[44] Congress banned VA approval for courses whose advertising made significant use of vocational or recreational themes, and provided that enrollment would not be approved in any proprietary school course in which more than 85 percent of the eligible students are subsidized by the VA. The act also followed the lead of the State of Minnesota by calling for demonstrated 50-percent placement of graduates in the designated occupational category before a school would be accepted as providing vocational training. Public Law 93-508 further directs the Administrator not to approve the enrollment of any eligible veteran in any course offered by an institution which utilizes erroneous, deceptive or misleading advertising sales or enrollment practices of any type. In making such determinations the Administrator is directed to utilize where appropriate, the services of the facilities of the Federal Trade Commission. The Administrator is also directed to seek to achieve maximum feasible effective coordination and interrelationship of the services among all Federal programs and activities affecting veterans, and seek to achieve the maximum coordination of these programs and those carried out by the Veterans' Administration.

If the foregoing provisions are promptly and fully implemented consistent with the congressional intent, we believe significant progress can be made. In addition, the committee believes there are several additional actions the VA could take to safeguard Government moneys. First, VA should redesign the benefits form to make it more obvious to the signer that the VA pays for vocational training only when the student has a vocational objective. In our opinion, the form is not emphatic enough in this regard, and the staff has encountered several otherwise honest individuals who took courses for recreational purposes in the belief that they were entitled to use all of their VA benefits. Undoubtedly there are veterans who are willing to put their name to a false statement, and it may be difficult to prove that they do so willingly. However, emphasis on the form would at least deter those individuals who presently believe they are doing nothing wrong by signing up for training with no intention of gaining an employment skill.

Second, the VA could remedy the great gaps in its knowledge about proprietary schools, and how veterans can obtain the best utilization of their benefit dollar. To date, the VA has paid benefits to millions of veterans for vocational training, but it has conducted no surveys, no followup studies, and is unable to furnish prospective students with reliable data based on the experience of their predecessors. The subcommittee found this to show an amazing lack of concern.[45] At the hearings, VA said that it now has a longitudinal study underway.

[43] Vietnam Era Veterans Readjustment Act of 1972, Public Law 92-540.
[44] Vetoed by the President but overridden by the Congress, and enacted as Public Law 93-508 on Dec. 3, 1974.
[45] Hearings, pp. 304, 305.

It is gratifying to see that something is finally being done. But it is disturbing that after years of VA funding, the first follow-on study had to be done by the General Accounting Office at the behest of the Senate Veterans Affairs Committee.[46] The agency itself should have made such a study long ago.

Third, the VA should make greater use of its knowledge about problems with schools. Complaints indicating abuses of a serious nature should be forwarded to the VA Benefits Office in Washington, D.C., so that VA's knowledge can become government knowledge.

Fourth, State agency performance needs to be upgraded by the publication of standards and through monitoring the VA. The subcommittee was encouraged to learn that the VA has formed field teams to increase its capability for agency validation of school adherence to VA requirements.[47] Additional efforts are needed to increase the effectiveness of State agencies, however, since they are the first line of defense against unfair treatment of students.

4. *Office of Education.*—The Office of Education is the second major Federal funding agency with the potential of upgrading the proprietary school industry. Government student loan programs have loaned out millions of dollars to students to enable them to finance attendance at proprietary schools. The Commissioner of Education determines whether proprietary school accrediting associations will be recognized. Accreditation, in turn, is the basis for enrolling students with Government loans and can also be the sole determinant for veteran student eligibility through approval by the VA-funded State agencies.[48]

The guaranteed student loan program presently is the major Office of Education conduit for Federal moneys reaching proprietary schools. We are advised that other OE programs such as the basic educational opportunity grant will see increasing use in proprietary education in coming years. The Office of Education has two functions with respect to administering these loans and grant programs. First, it determines which schools will be eligible to enroll federally supported students. Second, it must manage the loan program, including determining which schools can lend money to students, with an interest subsidy and complete backing by the Federal Government, and take the responsibility of collecting from the student when a lender reports a default and is paid back by the Government. We find the Office of Education has been laggard in both of these areas.

In its responsibility for determining which institutions might enroll Government loan supported students, the Office of Education has relied almost totally on schools accredited by national associations that the Commissioner has recognized.[49] In making his determination, he is assisted by the Advisory Commission on Accreditation and Institutional Eligibility. The Commissioner has always had the option to revoke the approval of a nationally recognized accrediting agency or associa-

[46] General Accounting Office report B-114859, Mar. 22, 1972: "Most Veterans Not Completing Corresponding Course—More Guidance Needed From the Veterans' Administration."
[47] Hearings, pp. 294–297.
[48] Hearings, p. 292.
[49] The Commissioner issues a list of accrediting agencies which have been recognized by him as meeting certain standards. These standards were recently revised, and published in August 1974, in a pamphlet entitled, "National Recognized Accrediting Agencies and Associations—Criteria and Procedures for Listing by the U.S. Commissioner of Education and Current List, U.S. Department of Health, Education, and Welfare, Office of Education."

tion. In fact, in the proprietary school area, OE has recently subjected the national associations to almost continuous review. In the last few years, proprietary school accrediting associations usually have not been approved for the 4-year period authorized. Most were conditionally recognized subject to review to a year or two later. But reliance on the power to make meaningless the actions of recognized accrediting agencies and associations has severe limitations. Dropping the accrediting association from the list deprives every member of its accrediting status at a single stroke. Since accrediting is linked so directly to VA and OE benefits, this would obviously work inequities to many member schools that have done nothing wrong. If the association refused to comply with OE's demands, a substitute would have to be found. Were the Government to approve schools itself, the estimated cost would be in the tens of millions of dollars.

OE had inherent authority, as a funding agency, to write regulations for schools seeking to enroll loan-supported students. New authority was granted legislatively in 1972. It gave the Office of Education the power to limit, suspend or terminate a school's participation in the guaranteed student loan program.[50] This offered a way out of the Office of Education's dilemma. OE could act against a single school to remove its eligibility without having to demand that the accrediting association disaccredit the institution. This is a speedier way of handling problems, since disaccreditation may involve issues other than those of concern to the Office of Education. Most authorities at the hearings said accrediting and eligibility were not synonymous—there could be accredited schools that did not meet eligibility standards along with eligible schools that might not meet accreditation standards. Eligibility regulations offered a way to reduce the exclusive reliance on accreditation and to police the actions of schools in a more direct and timely fashion.

The authority could not be exercised until regulations for its use were developed. On October 17, 1974, the Office of Education published its proposed regulations for schools offering vocational training.[51] Among other requirements, the regulations called for placement data, to show the school was succeeding in training people for jobs, and for an equitable refund policy. The rule meets one persistent charge of the proprietary school industry—the Government has a double standard, forcing a myriad of rules and regulations on proprietary schools but allowing their public competitors, notably community colleges, to operate as they pleased. The proposed OE regulations will affect all schools enrolling loan-supported students.

For some time the Office of Education has been subjected to questioning from a number of congressional committees about their delay to use this much needed congressional grant of authority. We agree with other congressional critics that the plea that they were doing other things is hardly an acceptable excuse. OE has a responsibility to look after the Federal funds being spent under the guaranteed student loan program. They were given congressional authority to write eligibility regulations so that they could better discharge this responsibility. So long as OE operates without such regulations, Federal

[50] The Higher Education Amendments of 1972. 20 U.S.C. sec. 1087-(a). (Enacted June 23, 1972.)
[51] 39 F.R. 37154, Oct. 17, 1974.

moneys are not being spent as effectively as they could. Considering the high default rate in the student loan program, some of it occasioned by abrupt school closures, bureaucratic delay has possibly cost the Federal Government a great deal of money. The most favorable interpretation of this experience is that it may have brought home to the Office of Education the extent and importance of their obligation in this field and that they will discharge it more expeditiously in the future.

During the 2-year period when no regulations had been issued, OE called for additional authority to limit, suspend, or terminate institutions participating in programs other than guaranteed student loan (basic educational opportunity grants, etc.). Although this may seem like taking a second helping before even starting on the first, criteria for these other programs should be developed expeditiously, either by the Office of Education or the appropriate committees of Congress. The loan programs caused student acquisition efforts to be directed toward individuals who suddenly became likely prospects because they could get the money. Increased use of grants will enfranchise another group of new customers. Protection of the Federal dollar is even more necessary here. Those eligible for grants are expected to have less consumer sophistication about education. Further, there is no requirement to pay the money back—a strong sales point for those who might seek out grantees to inform them of their opportunity and suggest ways of using it. Exploitation of low-income groups eligible for Federal aid is a constant temptation, as shown by the recent scandals in FHA-insured housing. Federal eligibility standards and the power to enforce them can help avoid repeating past mistakes made in equally well-intentioned programs.

A second area where OE has been found wanting is in the financial administration of the guaranteed student loan program. There are remarkable gaps in the Office of Education's knowledge about this program. Some lenders have an exceptionally high default rate, but OE does not include this data in its reports. Witnesses were unable to tell the subcommittee the percentage of money going to proprietary school students and how their default rate compared with the overall rate, even though proprietary schools were the announced subject of the hearings.[52] The most recent GAO audit of this fund disclosed a large number of defects in program administration, in OE knowledge about the program and in its collection efforts.[53] Other committees in the Congress are also looking at the administration of this program and the committee adds its support to their calls for immediate action by the Office of Education to set it right. Special efforts should be made to monitor the activities of school lenders, who offer a course and financing for it at the same time. The reluctance of banks to participate in the program may justify the schools acting as lenders (though only a well financed school can do so), but the desire to sell the course can influence the appraisal of whether the loan will be repaid. Some lender schools have low default rates, others do not. The inherent conflict calls for close scrutiny by the Government, which guarantees repayment.

[52] Hearings, pp. 150–152, 160–161.
[53] General Accounting Office report B–164031(1), Sept. 17, 1974: "Examination of Financial Statements of Student Loan Insurance Fund, Fiscal Year 1973."

The Office of Education could play a key role in a more unified Federal approach to correcting proprietary school abuses if it were to be the focal point for exchange of information. In the past, Federal funding and regulatory agencies had no effective way of sharing complaints indicating the likelihood of abusive practices. The VA could discover a serious problem at a school while the Office of Education might be unaware of it and continue to approve loans for prospective students. The staff was advised that in one instance the FTC came in possession of information indicating problems at a school that the VA only discovered 2 years later. Cooperation between agencies with different missions is never easy. In this field, it was never seriously attempted until the recent activation of an interagency group.

That group, the Subcommittee on Consumer Education of the Federal Interagency Committee on Education, was a first step toward a more effective information exchange. A necessary second step should be a prescribed system to assure that federally developed knowledge about proprietary school problems reaches interested agencies. The education commission of the States recommended the establishment of a clearinghouse. We believe that OE should take the lead in an attempt to achieve the same ends by using existing personnel and organizations.

5. *The Federal Trade Commission.*—The Federal Trade Commission attempts to discourage false, unfair and deceptive practices in the proprietary school industry just as it does in other industries engaged in interstate commerce. The Commission feels there are "compelling human and societal reasons" for the commitment of substantial resources in the proprietary school field. An estimated 6 percent of the FTC's budget is directed to this end.

The FTC activity to date has been carried out through—

(*a*) Consumer education—leaflets and pamphlets for prospective enrollees and the dissemination of warning advertisements;

(*b*) Publication of guidelines for the industry—these do not have the force of law, but many parts were adopted by accrediting associations for their own statements;

(*c*) Litigation—issuing complaints or proposed complaints for violation of the Federal Trade Commission Act and developing cases; [54]

(*d*) Federal/State cooperation and coordination, including support of the Educational Commission of the States, model postsecondary education authorization act, etc.; and

(*e*) Promulgation of proposed Trade regulation rules, having the force of law, to regulate business practices in the industry.

As a regulatory agency, the Federal Trade Commission looks at the proprietary school industry from a different perspective than do funding agencies like the Veterans' Administration and the Office of Education. The broad objective of the Federal Trade Commission is to minimize or eliminate consumer deception and fraud. We found no

[54] One of the FTC's most successful recent actions under the terms of a consent decree, required Career Academy to refund $1.5 million to students who had been promised jobs but did not receive them. (See Wall Street Journal, Thursday, Nov. 14, 1974, p. 22, story describing Fuqua Industries and ex-employee consenting to FTC order.) This news account illustrates how responsible journalists can misuse data about this complex industry. Whereas the FTC factsheet estimated that only about 10 percent of home study students completed their courses, with residence schools having much higher completion rates, this story applied the 10 percent completion rate to the entire proprietary school industry.

one who would support consumer abuse, but there were a number of individuals during the hearings and in conversations with the subcommittee staff who took great issue with the FTC's methods for attaining this laudable objective. Complaints about the FTC were made with respect to three of five foregoing activities: Consumer education, cooperation, and the proposed trade regulation rules.

Before turning to these points of contention, we will discuss briefly the guidelines and FTC litigation. The FTC's 1972 guides were developed after consultation with a number of people, including individuals making their livelihood in the proprietary school industry. The guides were issued to let the industry know what practices utilized by it were considered by the Commission to be unfair or deceptive. The Commission witness said that the guides "have been somewhat effective": Some States have used the guide as the basis for their own regulations, and several accrediting associations had adopted parts or all of the guides for their schools. The guides were cited by people in the industry as an example of effective government-industry cooperation.[55]

In the field of complaints and litigation, criticism has been made of the time it takes the Commission to respond effectively to complaints of abuse. Some FTC officials acknowledged that there had been lengthy time periods involved, but they stated that the requirements of due process precludes them from acting summarily. The greatest problem here, as with Postal Service fraud cases, is that corrective action occurs only after the damage has been done.

Turning to the three FTC activities which have generated the most controversy, the consumer information program has been challenged on two grounds. First, that its major suggestion for potential students is an impractical one. Second, that in warning students about deceptive practices, it leaves the implication that the entire industry should be viewed with scepticism, if not suspicion.

A major proposal in the FTC's consumer information literature is that the student ascertain the value of training by checking with a prospective employer. School operators, and observers not connected with the industry, have stated that this is a nice theory but that the theoretical appeal of this suggestion is negated by the practical difficulties in following it. They argue that prospective employers are reluctant to indicate that an individual will be hired at some time in the future, whatever his qualifications. They add that in many cases, the individual calling a concern of any size will not be able to talk to the person who actually passes on the qualifications for a particular job.

For employers who place considerable reliance on evidence of course completion, in the way that college degrees are accepted, inquiry is useful if the employer knows something about the school. In those cases where the employer is interested in what the applicant can do, the value of the training can be judged on whether it qualified him in the job skills. We think that the consumer education program should place greater stress on talking to employers who have hired graduates of the school being considered, but even this has limitations. The difficulties of determining the value of training in advance of taking it

[55] Hearings, pp. 43, 50, 51, 170.

supports the proposal that schools should provide placement information to prospective students.

The consumer information program has also been attacked because it essentially gives a negative impression of proprietary school training. The FTC's response is that they want to alert people to abuses, and that therefore their educational material is in the nature of warnings. They point out that the proprietary schools themselves spend a great deal of money to point out the advantages of the training they offer, and that the Federal Trade Commission material does not purport to be a balanced appraisal. The Commission's parody of a proprietary school advertisement is an effective way to convey a warning, but it can be interpreted to imply a blanket criticism of the industry.[56] Without research, it is difficult to assess whether this approach puts people on their guard against deceptive sales practices or makes them skeptical about the whole industry.

The Commission's alleged negative approach has been carried over into its trade regulation rule according to the FTC's critics. In our opinion, some of the proposed rule's mandatory wording for school contracts needs revision, to remove any implication that the student might be wiser if he did not enroll at all. We share the Commission's hostility to deceptive advertising and predatory practices, and we are sure that the Commission shares our view that remedial methods should weed out bad actors rather than downgrade proprietary education itself. The rule which eventually evolves from the present series of hearings should be one which embodies the basic thrusts of the proposal—disclosure of completion and placement rates to the student, a pro-rata refund policy, and fair and honest advertising. It should also be a rule that recognizes the limitations on the schools' ability to obtain precise statistics and alerts the student as to his rights without creating the impression that he gives them up by enrolling.

Although some of the wording gives us concern, the idea of a trade regulation rule is a good one. The number of students who have been bilked by fraudulent schools shows that the present system does not discourage sufficiently this type of activity. We are concerned about enforcement of any eventual rule by the Commission. Unless they are prepared to continue their commitment in this area, the trade regulation rule will join a number of other fine-sounding documents that unfortunately have not lived up to their promise.

The final area of controversy in Federal Trade Commission operations is that of Federal/State cooperation. The FTC's statement listed this as one of the fields in which they were actively working to support the development of a better approach to school problems. Issue was taken with this statement at the hearings and during the investigation, however. At the State level, there were expressions of resentment against certain activities and statements of Commission officials, and State and Federal officials had questions about the FTC's willingness to cooperate with others in solving problems. Some of these charges were probably attributable to parochialism on the part of the complainant. But the number of people with different responsibilities who have complained about the FTC's lack of cooperation points to the need for greater efforts to share information. In a small mi-

[56] Hearings, p. 110.

nority of cases, the possibility of litigation may justify the Commission keeping the information to itself. However, with only four national cases pending at the time of the hearings, it would seem that the FTC could be more open than they allegedly have been up to now.

The Federal Trade Commission has a major role to play in helping to make proprietary education more responsive to its consumers. The Commission's jurisdiction over proprietary schools extends further than that of the funding agencies, and it can perform its regulatory duties for their own sake, rather than as ancillary to providing loans and grants to a certain group of people. FTC action to date has undoubtedly had a major impact on the industry; some complaints never reached the stage of litigation because the FTC was able to get the school to correct an unfair practice. A growing responsibility will result from the trade regulation rule. In discharging this responsibility, the Commission should insure that it possesses the necessary detailed knowledge of the industry and cooperates to the maximum extent with other Federal and State agencies that deal with proprietary education.

6. *Other influences.*—Former students are an especially good source for information about school effectiveness. Many schools ask for students evaluations and request permission to use them in their advertising. (One disgruntled student responded to the permission question, "I dare you.") Newsletters and school magazines sometimes contain the names and pictures of satisfied graduates, and some schools offer lengthy lists of former students who may be contacted. Obviously, the schools lists are selective, but several offered to make available to the staff all the names in their files for verification of satisfaction. One action a prospective student or counselor might take is to ask the school how many people in the area have received training at the school and then ask for a sampling of names.

There is also the element of competition among schools. Although there are some large discrepancies in prices, as noted earlier, the existence of competitors is a check on any school. Schools stress their advantages, which can cause a good approach or policy to spread to others. It can also work the other way, as the "bigger, better and more television sets" advertisements show.

The State of Ohio publishes a listing of proprietary schools, one page per school, with blanks for class size, placement, and so forth. Some schools do not complete all parts of the form, but the listing still enables a prospective student to scan the field before deciding on a particular school. This listing approaches the size of a telephone book. Publication of such a listing provides interested prospects, high school counselors and others with a handy reference. If more States did this, making copies available to high schools and public libraries, it could increase public awareness of proprietary schools and possibly reduce the tendency for students to enroll in the first school that approaches them.

The most effective protection for the consumer of a product or service is the integrity of the company he deals with. The abuses that have occurred in proprietary education show clearly that without some additional checking, reliance on the integrity of each of the thousands of schools is inadequate. However, this should not obscure the efforts that a number of schools have made to treat their students

fairly. The accrediting associations have incorporated a number of protections in their standards. Some schools have gone beyond these requirements and reports offering pro-rata refunds, automatic contract terminations if the student does not complete the first lesson, provision of assistance not contractually required, and other characteristics of fair dealing. Several schools visited by the staff did not make a profit last year and yet continued to spend money revising and improving their courses and student services.

An examination of complaint files at several schools, and discussion with individuals responsible for them, showed a sensitivity and responsiveness to student concerns. One school asks its students to grade it on the A to F system and reports that 88 percent of the grades are A's or B's. There were letters from unhappy students in the files of every school, but there were also letters of appreciation. An important result of more vigorous action to minimize consumer exploitation is the effect it will have on responsible members of the industry. So long as proprietary education attracts dedicated individuals who feel they are performing a service, the policing function that the Government must assume is reduced.

Toward a Better System

Proprietary vocational education has served many people well. But improvements are in order. This report has described a number of existing checks on abuses in proprietary education and proposed that some of them be strengthened. New safeguards have also been pointed out and evaluated. Many of the existing laws, regulations, standards and operating practices have the potential for insuring that both parties to a proprietary school contract are treated fairly. That is the potential; the facts are otherwise. Laws are often disobeyed, regulations avoided, and standards for accreditation or eligibility are sometimes ignored.

One of the greatest needs is for compliance with existing laws and standards. Greater enforcement efforts are required in every quarter. Schools possessing accreditation do not live up to the impressive standards of accrediting associations. State laws, carefully drafted and designed to weed out unethical standards and practices, often are not enforced.

The interlocking protection provided by the triad of licensing, accreditation, and eligibility regulations is more theoretical than real in far too many cases. State agencies do not work with their counterparts across the State boundary and they do not work with Federal agencies. Federal agencies do not work with each other. Proprietary school courses are generally only a few months long. Speedy correction of problems is crucial, and requires rapid dissemination of warning signals. The existing safeguards can accomplish a great deal more when the institutions responsible for them act in concert.

We are encouraged by the formation and the recent activities of the Federal Interagency Committee on Education, and particularly its Subcommittee on Consumer Protection, created in 1972. The "Federal Strategy Report for the Protection of the Consumer of Education," issued on September 18 of this year, represents a careful examination of the Federal Government's involvement in post-

secondary education. We agree with nearly all of its recommendations and commend them to the Federal agencies with responsibilities in this field. We also recommend that this group draw up a statement of student rights and responsibilities as they themselves propose, and that the Government make these available to proprietary schools for distribution to prospective students. (A parallel of sorts exists in the requirement by HUD that developers of land provide consumers with a Government statement.) Distribution of these statements to the schools could be through HEW and VA regional offices, and the expense of preparing and printing them should be borne by the Federal Government.

Improving the effectiveness of monitoring agencies, although necessary, still leaves students at a disadvantage when they are considering proprietary education. We believe that the student needs more information about what the course did for his predecessors. In the area of providing information to the student to enable him to make a better choice, the two most discussed statistics are completion rates and placement.

Under the Federal Trade Commission's proposed rule every school offering vocational training would be required to tell a prospective student how well his predecessors did in obtaining employment in the field. We agree with the Federal Trade Commission rule that this figure should be available. The rule as it was orginally proposed, however, contains requirements for proof which appear to be impractical for some schools. Further, the rule would severely penalize schools that could not comply with the rather detailed recordkeeping involved. We trust that hearings under the rule will develop a more practical approach to providing this data.

We also recommend that completion rates be made available, based on former students who actually began to study or train. We have considered the argument against this made by many schools and by the accrediting associations. The thrust of the argument is that many proprietary school students are nonachievers in their early educational experience and will be prematurely discouraged from trying to improve themselves because they will mentally associate with the group that does not finish. This may happen in some cases, but we believe that it is more than offset by the need to provide students with the maximum amount of information needed for a decision. Keeping information from someone for his own good is a questionable policy, especially where; as here, it may benefit those who decide to withhold it.

To minimize the loss of a student who discovers belatedly that his enrollment was a mistake, we advocate a pro-rata refund policy with a permissible deduction for administrative costs. As noted earlier, we have considered the case against refunding the cost of lessons not used and understand why most schools oppose it. In this issue, as in many others we have examined, the right is not all on one side. But we believe our recommendations make the balance a fairer one.

In recommending that schools disclose more data and provide pro-rata refunds, we realize that this places additional burdens on the industry. We are also aware that many students are enrolled in schools that deal with them more than fairly under the existing system. Ethical schools must live with requirements aimed at others; the

regulatory rain falls on the just and the unjust alike. But we believe the industry can live with these changes—some schools already do—and be the better for them.

One hopeful outcome of tightening the slackness that now characterizes licensing and regulation is greater public recognition of the contribution proprietary education can make. Studies of selected courses indicate that proprietary school students do as well as their counterparts in community colleges despite having generally less impressive academic backgrounds.[57] The recommendations in this report would cause proprietary schools to be under greater pressure to produce measurable results than are the colleges and universities. In the eyes of many, profit-seeking schools are already faced with more stringent requirements than are public institutions.[58] If the industry can reduce the incidence of student abuse, it deserves greater recognition by the academic community, employers, and influential figures such as high school guidance counselors.[59]

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[57] Wilms, note 7 supra, pp. ii, 181.

[58] Hearings, pp. 106, 107.

[59] Some of the problems in proprietary education stemming from student lack of information have been attributed to the failure of agencies outside the schools themselves. Belitsky speaks of "* * * students who have been inadequately counseled or not counseled at all while in high schools. This is a direct result of the limited number of high school guidance personnel and their equally limited views on postsecondary vocational education. Consequently, many persons who drop out of school, and even many who graduate from high school, have insufficient knowledge of occupational training opportunities and the labor market. A substantial proportion of students are not thoroughly familiar with the courses provided by private vocational schools, or else they learn about the schools through friends attending them, members of their families, newspaper advertisements, or sales representatives of the schools. As a major consequence of these informal lines, many young persons who enroll in the schools are likely to do so with incomplete information on the nature of training, requirements of the occupation they are training for, and the opportunities for advancement." Proprietary Vocational Schools staff paper, the W. E. Upjohn Institute for Employment Research, 1970 Kalamazoo, Mich., pp. 12–13. See also, hearings, pp. 104–105.